

Message Text

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42

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SUBJ: VENEZUELAN RESPONSE TO NOTE VERBALE OF OCT. 29, 1974

REF: CARACAS 11071

1. THE FOLLOWING IS AN UNOFFICIAL TRANSLATION OF THE TEXT OF NOTE NO. DG-253, LABELED "CONFIDENTIAL" FROM THE VENEZUELAN MINISTRY OF FOREIGN RELATIONS, DATED NOVEMBER 7, 1974.

"THE MINISTRY OF FOREIGN RELATIONS PRESENTS ITS COMPLIMENTS TO THE HONORABLE EMBASSY OF THE UNITED STATES OF AMERICA ON THE OPPORTUNITY OF REFERRING TO ITS CONFIDENTIAL NOTE DATED OCTOBER 29 OF THE CURRENT YEAR, RELATIVE TO DECREE NUMBER 440 DATED OCTOBER 1ST, 1974, BY MEANS OF WHICH THE GOVERNMENT OF VENEZUELA DECIDED, IN LEGITIMATE AND SOVEREIGN USE OF ITS LEGAL FACULTIES, TO RAISE FROM 60 PERCENT TO 63.5 PERCENT THE RATE OF INCOME TAX APPLICABLE TO THE OIL COMPANIES OPERATING IN VENEZUELA.

THE GOVERNMENT OF VENEZUELA DESIRES TO CALL THE ATTENTION OF THE HONORABLE EMBASSY OF THE UNITED STATES OF AMERICA TO THE FACT THAT TRANSNATIONAL ENTERPRISES AS PRODUCERS AND EXPORTERS OF THE MAJOR PART OF THE CRUDE OIL FLOWING TO WORLD MARKETS EARN EXCESSIVE PROFITS EVERY YEAR, WHICH HAS ALSO BEEN MANIFESTED BY INVESTIGATIONS UNDERTAKEN BY THE UNITED STATES CONGRESS.

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CONSEQUENTLY, THE FISCAL MEASURE ADOPTED BY VENEZUELA PURSUES THE JUST PURPOSE OF RECEIVING PART OF SAID EXCESSIVE GAINS.

THE GOVERNMENT OF VENEZUELA COMPLETELY SHARES THE OPINION EXPRESSED BY THE OPEC THAT THE INCREASE IN FISCAL PARTICIPATION BY MEMBER COUNTRIES SHOULD NOT BE TRANSFERRED TO CONSUMERS, AS IT CAN BE ABSORBED BY THE TRANSNATIONAL OIL COMPANIES WITH THEIR EXCESSIVE GAINS. IT IS THE RESPONSIBILITY OF GOVERNMENTS OF CONSUMER COUNTRIES TO CREATED ADEQUATE FISCAL MECHANISMS TO AVOID SPECUALTION AND, THROUGH THE REDUCTION OF INTERNAL FEDERAL, STATE AND LOCAL TAXES, TO AVOID HARM TO CONSUMERS.

THE GOVERNMENTS OF THE CONSUMER COUNTRIES COULD LIKEWISE APPLY MEASURES THAT WOULD IMPEDE THE AUTOMATIC TRANSFER OF INCREASES INFISCAL PARTICIPATION OF THE PRODUCING COUNTRIES. FURTHERMORE, IN THE CASE OF VENEZUELA, THE INCREASE IN FISCAL PARTICIPATION CORRESPONDING TO THE FIRST NINE MONTHS OF 1974 CANNOT BE TRANSFERED TO CONSUMERS, AS IT PERTAINS TO PETROLEUM SHIPMENTS ALREADY BILLED AND PAID FOR AT THAT TIME. IT SHOULD ALSO BE BORNE IN MIND THAT THE GOVERNMENT OF VENEZUELA ACTED IN ACCORDANCE WITH THE PROVISIONS OF PREEXISTING LAWS FOR WHICH NO OBJECTIONS CAN BE ADMITTED UNLESS THEY RELATE TO THEIR JURISDICTIONAL INTERPRETATION, FOR WHICH THE OIL COMPANIES HAVE HAD AND HAVE JURIDICIAL MEANS FOR RELIEF. NO RETROACTIVE TAX HAS BEEN APPLIED BECAUSE IN OUR COUNTRY THE FISCAL YEAR IS CLOSED ON THE 30TH OF DECEMBER OF EACH YEAR.

THE GOVERNMENT OF VENEZUELA WILL OBTAIN AN ADDITIONAL REVENUE OF APPROXIMATELY U.S. \$400 MILLION, OF WHICH 75 PERCENT IS FORTHCOMING FROM THE OIL COMPANIES' EXCESSIVE PROFITS. IF THE GOVERNMENTS OF CONSUMER COUNTRIES PERMIT THAT, ABUSIVELY, THE REMAINING U.S. \$100 MILLION BE TRANSFERRED TO CONSUMERS, APPROXIMATELY U.S. \$50 MILLION WOULD CORRESPOND TO THE MARKET OF THE UNITED STATES OF AMERICA; THAT IS, THE ADDITIONAL CHARGE WOULD BE AROUND 25 CENTS PER INHABITANT DURING THE WHOLE OF THE YEAR 1974.

THE GOVERNMENT OF VENEZUELA ACKNOWLEDGES THAT PETROLEUM PRICES HAVE RISEN IN A CONSIDERABLE WAY, IF THEY ARE COMPARED LIMITED OFFICIAL USE

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TO PREVIOUS YEAR LEVELS. HOWEVER, IT DOES NOT SHARE THE THESIS ACCORDING TO WHICH THE ORIGIN OF WORLD INFLATION IS ATTRIBUTED TO OIL PRICES, A PHENOMENON INITIATED MANY YEARS AGO WHEN PETROLEUM PRICES WERE CONTINUOUSLY DESCENDING AND PREJUDICING PRINCIPALLY THE DEVELOPING COUNTRIES. ACCORDING TO STATISTICS OF THE ORGANIZATION OF ECONOMIC COOPERATION AND DEVELOPMENT (OECD), DURING 1973 WOULD INFLATION REACHED 12 PERCENT, WHEREAS DURING THE PRESENT YEAR IT HAS INCREASED TO 14 PERCENT.

CONSEQUENTLY, ONLY 2 PERCENT OF WOULD INFLATION COULD BE ATTRIBUTED TO THE INCREASE IN PETROLEUM PRICES OCCURING FROM JANUARY 1, 1974.

IT IS APPROPRIATE TO REMEMBER THAT SINCE THIS NEW SITUATION IN OIL PRICES WAS INITIATED, SIMULTANEOUSLY AND COINCIDENTALLY AN EVIDENT IMPROVEMENT IN THE BALANCE OF PAYMENTS OF THE UNITED STATES OF AMERICA WAS OBSERVED AS A RESULT OF THE SUBSTANTIAL REMITTANCES OF PROFITS AND EXCESSIVE GAINS BY THE TRANSNATIONAL OIL COMPANIES OF THAT COUNTRY OPERATING IN THE PETROLEUM PRODUCING NATIONS. IT WOULD NOT BE SUPERFLUOUS TO POINT OUT THAT A GOOD PART OF PRODUCING COUNTRIES' REVENUES, AND IN PARTICULAR OF VENEZUELA, RETURN EVENTUALLY TO THE INDUSTRIALIZED COUNTRIDS, AND ESPECIALLY TO THE UNITED STATES OF AMERICA, THROUGH THE IMPORT OF ALL TYPES OF GOODS AND EQUIPMENT NECESSARY FOR THEIR DEVELOPMENT PROGRAMS AND FOR THEIR OWN SUBSISTENCE. PRICES OF SUCH GOODS AND EQUIPMENT HAVE NOT CEASED TO INCREASE IN THE LAST 25 YEARS.

THE PRESENT SITUATION, IN THE OPINION OF THE GOVERNMENT OF VENEZUELA, HAS, TO THE BENEFIT OF ALL MANKIND, PERMITTED AN END TO THE HAPPILY CONCLUDED ERA OF LOW PRICES AND WASE OF ENERGY, ELEMENTS THAT SERVED AS THE FUNDAMENTAL BASE FOR THE IMPRESSIVE AND ALMOST EXCLUSIVE DEVELOPMENT OF THE INDUSTRIALIZED COUNTRIES.

THE INTERNATIONAL COMMUNITY, AND ESPECIALLY THE DEVELOPING COUNTRIDS HAVE BEEN INVOLVED FOR YEARS IN AN UNENDING SEARCH FOR AN INTERNATIONAL FABRIC WHICH IS JUST AND HARMONIC. THE GOVERNMENT OF VENEZUELA FIRMLY REITERATES ITS FRANK DISPOSITION TO COOPERATE TOWARDS THAT OBJECTIVE AND RENEWS ITS CONVICTION THAT THIS WILL ONLY BE POSSIBLE INsofar AS THER IS CONSIDERED SIMULTANEOUSLY AND JOINTLY, IN A FORUM OF AMPLE REPRESENTATION, ALL THE PROBLEMS RELATIVE TO THE PRICES OF RAW MATERIALS, LIMITED OFFICIAL USE

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RENEWABLE OR NON-RENEWALBE, TO COMMERCE IN MANUFACTURED GOODS AND IN CAPITAL GOODS, TO THE TRANSFER OF TECHNOLOGY AND TO THE UNSTABLE SITUATION OF THE INTERNATIONAL MONETARY SYSTEM.

THE MINISTRY OF FOREIGN AFFAIRS AVAILS ITSELF OF THIS OPPORTUNITY TO RENEW TO THE HONORADJE EMBASSZCOF THE UNITED STATES OF AMERICA THE ASSURANCES OF ITS MOST DISTINGUISHED CONSIDERATION."
MCCLINTOCK

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